

## Part B Consultation Questions

Please indicate your preference by checking the appropriate boxes. Please reply to the questions below on the proposed changes discussed in the Consultation Paper downloadable from the HKEx website at:

<http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201112.pdf>.

Where there is insufficient space provided for your comments, please attach additional pages.

1. Should the ESG Guide be a recommended best practice appended to the Listing Rules?

Yes

No

If your answer is “No”, please give reasons and alternative views.

2. Do you agree with the proposed Main Board Listing Rule 13.91 and paragraph 53 of Appendix 16/ GEM Listing Rules 17.103 and 18.84 in Appendix I of the Consultation Paper?

Yes

No

If your answer is “No”, please give reasons and alternative views.

## Content of the proposed Environmental, Social and Governance Reporting Guide

### Introduction

3. Do you agree with the Introduction section?

The proposed Introduction section states:

1. This guide sets out Environmental, Social and Governance (“ESG”) subject areas, aspects, general disclosure and key performance indicators (“KPIs”).
2. This guide is not comprehensive. We encourage an issuer to identify and disclose additional ESG issues and KPIs that are relevant to its business. It may also refer to existing international ESG reporting guidance for its relevant industry or sector.
3. An issuer may adopt a higher level of ESG reporting based on international guidance and standards.
4. An issuer may disclose the ESG information in its annual report regarding the same period covered in the annual report, or in a separate report, in print or on its website. Where the information is included in a separate report, an issuer is free to report on any period.
5. It is important to involve the board of directors in preparing the ESG report. The board of directors is responsible for ESG reporting but it may delegate the task of compiling the ESG report to its employees or a committee that reports to the board.

Yes

No

If your answer is “No”, please give reasons and alternative views.

## General Approach

4. Do you agree with the guidance under the General Approach section?

The proposed General Approach section states:

*Identify subject areas, aspects and indicators that are relevant*

8. Not all ESG subject areas, aspects and KPIs in this Guide may be relevant to an issuer's business. Also, some may be more important to an issuer's business than others. For example, product responsibility, an ESG aspect, may be important to a retailer.
9. The ESG report could prioritise ESG subject areas, aspects and KPIs that are material in the context of its corporate strategy, which could be given prominence in the report.
10. It is unnecessary to report on all subject areas, aspects and KPIs. An issuer could identify and report on relevant ESG subject areas, aspects and KPIs that have material environmental and social impacts. Materiality can be addressed in strategic, operational and financial terms.

*Engage stakeholders*

11. It is important to engage stakeholders to identify material aspects and KPIs and understand their views. Stakeholders are parties that have interests in or are affected by the decisions and activities of an issuer. They may include shareholders (including independent shareholders), business partners, employees, suppliers, sub-contractors, consumers, regulators and the public.
12. The ESG report could disclose the issuer's stakeholders and the basis for their identification. It may also disclose the activities the issuer has arranged to engage stakeholders, the objectives and how it has responded to stakeholders' views. Stakeholder engagement may be conducted through meetings (e.g. personal or annual general meetings), conferences, workshops, advisory committees, round-table discussions, focus groups, questionnaires, web-based forums and written consultations.
13. The ESG report may also disclose a mechanism for stakeholders to provide feedback.

Yes

No

If your answer is "No", please give reasons and alternative views.

## Reporting guidance

5. Do you agree with the guidance under the Reporting Guidance section?

The proposed Reporting Guidance section states:

### *Scope of reporting*

14. The ESG report could state which entities in the group and/or which operations have been included for the report. If there is change in the scope, the issuer could explain the difference and reason for change.

### *Approaches to reporting*

15. Once an issuer starts reporting, it could continue to do so regularly. The aspects and KPIs reported could be consistent for each period or there could be an explanation of the changes. An issuer may also explain why some aspects and KPIs are not reported.
16. An ESG report could state the issuer's ESG management approach, strategies, priorities, objectives and explain how they relate to its business. It could discuss the issuer's management, measurement and monitoring system to implement its ESG strategies.
17. An ESG report could also discuss ESG opportunities, risks, challenges and how they are addressed. For example, a telecommunication company may see an opportunity to promote teleconferencing as an alternative to travel due to climate change concerns. An information and technology company may see the damage to its reputation from a breach in consumer privacy as an ESG risk.

### *Reporting on line items*

18. The Guide does not provide a definition for each KPI. An issuer could explain how the KPIs are calculated and include information that is necessary for interpreting the KPIs. It may use the same definition and calculation method each period for comparison over time. If there is a change to the definition or calculation method, the issuer could explain the difference and reason for the change.
19. Over time, an issuer may present time series of data for comparison over a period already reported on. The time period used may be consistent for every report.
20. An issuer may report line items with objective and representative industry benchmarks.
21. Quantitative information could be presented in a table format.

Yes

No

If your answer is "No", please give reasons and alternative views.

**‘Approaches to reporting’ We recommend including the following additional clauses, which are consistent with GRI’s *Sustainability Reporting Guidelines 3.1*:**

1. An ESG report should reflect both the positive and negative aspects of an organisation’s performance to enable stakeholders to make a reasoned assessment of overall performance.
2. Reported information should be accurate and sufficiently detailed for stakeholders to assess the organisation’s performance.
3. These guidelines should be adopted by companies on a voluntary basis for the first three years after they come into effect. Thereafter, reporting should be required on a “comply” or “explain” basis.

**‘Reporting on line items’- We recommend that Clause 21 above should be amended to read (*underlining indicates amendment*):**

‘Information should be made available in a manner that is understandable and accessible to stakeholders using the report. Quantitative information could be presented in a table format.’

#### Key ESG Subject Areas

6. Do you agree with the proposed ESG areas, namely: Workplace Quality, Environmental Protection, Operating Practices and Community Involvement?

Yes

No

If your answer is “No”, please give reasons and alternative views.

**1. We recommend changing the name of the area ‘Community Involvement’ to ‘Community Investment’.**

*Rationale:*

The term ‘Community Involvement’ tends to suggest a soft approach to a company’s approach in the community. By contrast, the term “Community Investment” indicates that companies are involved in the community strategically and with a stronger commitment which is focused on a return on the investment made – socially, environmentally, culturally or otherwise – which benefits the community, the company and its employees.

Note that most of the FTSE companies in the UK use the term ‘Community Investment’ as can be seen from the work by Business in the Community UK, who are experts in this field (see ([www.bitc.org.uk](http://www.bitc.org.uk))).

**2. We recommend adding the relevant aspects of the Corporate Governance Code to the Guide as an Appendix**

*Rationale:*

The Reporting Guide is entitled ESG and covers both Environmental and Social aspects, yet it does not cover any Governance aspects. Whilst Clause 64 of the

Introduction clearly states “The proposed ESG Guide does not address corporate governance issues as they are dealt with separately in the Corporate Governance Code...”, in terms of ease of reference and use for issuers, we recommend including the relevant aspects of the Corporate Governance Code in the Guide as an Appendix so that the ESG Guide is a single reference source for all ESG reporting.

Aspects for each ESG Area

7. Do you agree with the following proposed aspects?

Areas and aspects
<p style="text-align: center;"><b>A. Workplace quality</b></p> <p>Aspect A1 Working Conditions</p> <p>Aspect A2 Health and safety</p> <p>Aspect A3 Development and training</p> <p>Aspect A4 Labour standards</p>
<p style="text-align: center;"><b>B. Environmental protection</b></p> <p>Aspect B1 Emissions</p> <p>Aspect B2 Use of resources</p> <p>Aspect B3 The environment and natural resources</p>
<p style="text-align: center;"><b>C. Operating practices</b></p> <p>Aspect C1 Supply chain management</p> <p>Aspect C2 Product responsibility</p> <p>Aspect C3 Anti-corruption</p>
<p style="text-align: center;"><b>D. Community involvement</b></p> <p>Aspect D1 Community investment</p>

Yes

No

If your answer is “No”, please give reasons and alternative views.

**1. We recommend changing the name of Aspect A1 ‘Working Conditions’ to ‘Human Capital Management (HCM)’**

*Rationale:*

(a) The term ‘Working Conditions’ is too limiting and does not place sufficient emphasis on human resources and people management – both of which are essential for sustained business success. HCM is a significant intangible asset to many companies and certain situations may represent a risk to a company’s continued growth – for example, skills shortage in a particular industry. This ESG area goes beyond the working conditions alone and should address how the company manages its human capital. Strong and transparent HCM controls and practices go hand in hand with strong and transparent corporate governance, and contribute to employee loyalty and productivity.

(b) *ESG Reporting Guide for Australian Companies* (issued June 2011), page 21 states:

“Poorly managed HCM can lead to:

- Failure to meet strategic objectives and project targets;
- Poor morale and sub-optimal productivity;
- Inability to attract skills in tight labour markets / loss of key talent;
- Industrial disputation and poor employee relations; and
- Reputation damage.”

## A. Workplace quality

### Aspect A1    Working conditions

8. Do you agree with the following general disclosure for Aspect A1: Working conditions?

Information on:

- (a) the policies; and
- (b) compliance and material non-compliance with relevant standards, rules and regulations

on compensation and dismissal, recruitment and promotion, working hours, rest periods, diversity and other benefits and welfare.

Yes

No

If your answer is “No”, please give reasons and alternative views.

**1. As indicated above, we recommend renaming Aspect A1, ‘Working Conditions’ to ‘Human Capital Management’ and we then recommend amending the general disclosure as follows (underlining indicates amendments):**

- (a) the policies;
- (b) compliance and material non-compliance with relevant standards, rules and regulations;
- (c) processes to monitor and address; and
- (d) highest level of management responsibility

on compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity and diversity, flexible work arrangements, maternity and paternity benefits and other benefits and welfare.

**1.1 Rationale for including ‘processes to monitor and address’:**

- (a) What gets measured and monitored gets done.
- (b) Clearly defined processes lead to fair and transparent implementation. For example: with equal opportunity as per the Guidelines issued by the Equal Opportunities Commission, companies are asked to have a complaints’ handling mechanism in place in relation to the Sex Discrimination Ordinance, Family Status Ordinance, Race Discrimination Ordinance and Disability Discrimination Ordinance.
- (c) *ESG Reporting Guide for Australian Companies* (issued June 2011), page 21, states a commonly reported indicator as being “processes to monitor and address discrimination”.
- (d) GRI’s *Sustainability Reporting Guidelines 3.1*, page 30, uses the term “monitoring and follow up”.

**1.2 Rationale for including ‘highest level of management responsibility’:**

- (a) *ESG Reporting Guide for Australian Companies* (issued June 2011), page 21, states a commonly reported indicator as being “Board Oversight of HCM”.
- (b) GRI’s *Sustainability Reporting Guidelines 3.1*, page 30, uses the term “organisational responsibility” which makes reference to the highest level person in charge.

**1.3 Rationale for ‘equal opportunity and diversity’:**

- (a) Many companies in Hong Kong do not understand the term ‘diversity’ but they do understand equal opportunity (EO) since the first EO laws were introduced in 1996/1997.
- (b) Four EO ordinances exist in Hong Kong: Sex Discrimination Ordinance, Family Status Ordinance, Race Discrimination Ordinance and Disability Discrimination Ordinance, and companies are required to comply with these.
- (c) The term ‘diversity’ should continue to be used as it goes beyond equal opportunity for all, as diversity is about embracing differences so that each individual is able to achieve his/her fullest potential.
- (d) *ESG Reporting Guide for Australian Companies* (issued June 2011), page 21, states a commonly reported indicator as being “Employee Diversity / anti-discrimination policies”.
- (e) GRI’s *Sustainability Reporting Guidelines 3.1*, page 30, “Diversity and equal opportunity”.

**1.4 Rationale for including ‘flexible work options’:**

- (a) Flexible work options allow employees to work in a way that allows them to be the most productive. Flexible work options range from leave options (sabbaticals, career breaks etc) to remote working. This is a critical business issue for employees in general and there are calls for more flexible working options from within Hong Kong.
- (b) In Hong Kong, flexible work options are desired by most employees and it is particularly relevant for the younger generation of the Post 80s. As per Community Business research, conducted by the Public Opinion Programme at Hong Kong University on Work-Life Balance (WLB) in 2010, WLB is an increasingly important issue in terms of employee retention. Flexible working options are seen as a



significant differentiator in terms of an employer. As per *The State of Work-Life Balance in Hong Kong Survey, Summary of Research Findings*, page 1, executive summary, "...more than half of employees (57.3%) think flexible work arrangements are an important factor when deciding whether to join or stay with an organisation, this is especially true for Post 80s employees (68.1%). The most popular flexible work arrangements desired by employees are flexible working time (27.3%), followed by career breaks, unpaid/part-paid personal leave or sabbatical (19.4%) and the option to work from home or remotely sometimes (14.3%). A compressed work week is also highlighted by Post 80s employees as one of the most desired flexible work arrangements (20.1% of Post 80s employees). Whilst there is an improvement in the number of companies offering a 5-day work week, 37.6% of employees say that their companies do not offer any type of flexible work arrangement all." See

<http://www.communitybusiness.org/images/cb/publications/2010/WLB%20eng%20R3.pdf>

- (c) We believe that many employers already provide some form of flexible work options for staff and therefore this will not be a difficult request for companies. As per the same Community Business research stated in 1.4(b) above, page 8, Figure 5, many employers in Hong Kong already provide flexible work options to staff (For example, 45.7% employees say that their employers provide a 5-day work week, 35.4% say their employers provide career breaks, unpaid leave and sabbaticals and 28.3% say that they have flexible working time).

#### **1.5 Rationale for including ‘maternity and paternity benefits’**

- (a) Hong Kong already has legislation on maternity leave and therefore asking companies to be transparent about such options is easy and makes sense given that 48% of Hong Kong’s labour force is women (*Source: Census and Statistics Department, The Government of the Hong Kong Special Administrative Region 10/2011 to 12/2011*) and over 55% of all tertiary education students are women (*Source: Graduates of UGC-funded Programmes by Level of Study, Broad Academic Programme Category and Sex, 2004/05 to 2010/11 (last updated December 2011, page 5)*)
- (b) The Hong Kong Government is already planning to introduce paternity leave within the civil service in 2012: <http://www.legco.gov.hk/yr11-12/english/panels/ps/papers/ps1219cb1-534-3-e.pdf>
- (c) In line with global trends, many of Hong Kong’s largest employers (eg, Standard Chartered Bank, HSBC etc) have both maternity and paternity policies in place.

9. Do you agree to include KPI A1.1: “Total workforce by employment type, age group and geographical region”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

**We recommend amending to (underlining indicates amendment) : “Total workforce by employment type, age group and geographical region and gender”**

*Rationale:*

- (a) This is easy for companies do so and they have gender information on hand for each employee.
- (b) We believe that companies should be operating on the basis of a meritocracy, where women and men are given equal opportunity to achieve their full potential. There is evidence that this is not the case in Hong Kong. This is clearly demonstrated by the fact that women in Hong Kong represent 55%, of tertiary education graduates, 48% of the labour force and only 6.7% of the executive directors and 9% of board directors of the companies listed on the Hang Seng Index. See *Standard Chartered Bank Women on Boards: Hang Seng Index 2012*.  
[http://www.communitybusiness.org/images/cb/publications/2012/WOB\\_Eng\\_2012.pdf](http://www.communitybusiness.org/images/cb/publications/2012/WOB_Eng_2012.pdf)
- (c) By asking companies to report on gender we are raising the awareness of the need for a meritocracy to prevail.
- (d) GRI’s *Sustainability Reporting Guidelines 3.1*, page 31, Aspect Employment, recommends this.

10. Do you agree to include KPI A1.2: “Employee turnover rate by age group and geographical region”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

**We recommend amending to (underlining indicates amendment) : “Employee turnover rate by age group and geographical region and by gender”**

*Rationale:*

- (a) Same rationale as stated in Question 9 above.
- (b) GRI’s *Sustainability Reporting Guidelines 3.1*, page 31, Aspect Employment, recommends that companies report on this.

11. Do you have any additional KPIs for Aspect A1?

Yes

No

Please give reasons for your proposals.

**We recommend including two additional KPIs:**

**1. Information on Remuneration levels for male and female employees**

*Rationale:*

(a) It is unlawful in Hong Kong to discriminate on the grounds of sex, in the terms and conditions of employment. However there is evidence to show that the average pay for men is higher than that for women for work of the same value in Hong Kong- see Equal Opportunity Research:

<http://www.eoc.org.hk/EOC/Upload/UserFiles/File/EPEV/MainGuideWeb-e.pdf>

[http://www.eoc.org.hk/EOC/Upload/UserFiles/File/publication/research/epev\\_part\\_III\\_e.pdf](http://www.eoc.org.hk/EOC/Upload/UserFiles/File/publication/research/epev_part_III_e.pdf)

By asking companies to report on this we are bringing to their awareness the discrepancy in pay in Hong Kong between men and women and ensuring that pay levels between sexes is based on value and not gender-based.

(b) Hong Kong promotes Equal Work for Work of Equal Value

<http://www.eoc.org.hk/EOC/Upload/UserFiles/File/EPEV/MainGuideWeb-e.pdf>

[http://www.eoc.org.hk/EOC/Upload/UserFiles/File/publication/research/epev\\_part\\_III\\_e.pdf](http://www.eoc.org.hk/EOC/Upload/UserFiles/File/publication/research/epev_part_III_e.pdf)

(c) GRI's *Sustainability Reporting Guidelines 3.1*, page 32, LA14, recommends this.

(d) *ESG Reporting Guide for Australian Companies* (issued June 2011), page 21, states a commonly reported indicator as being "remuneration levels for male and female employees".

**2. Information on executive and board composition, specifically:**

- % of women at Board Level and Senior Management/ Executive Committee level
- Ethnicity and nationality breakdown of all board directors
- Age profile of board directors

*Rationale:*

(a) We believe that Hong Kong companies pride themselves on operating on the basis of a meritocracy where the best person is employed and promoted, regardless of gender, ethnicity, race or culture, age, sexual orientation, gender identity or any other variable. Companies must access the widest possible talent pool - this must continue to be the case for Hong Kong's competitive advantage. Diversity is recognised as contributing to stronger corporate governance, better business performance and increased employee and customer satisfaction and loyalty.

(b) The Lord Davies Report in February 2011, commissioned by the UK Government to look at the female directorships of FTSE companies, encourages more women on the boards of FTSE companies and this report states clearly that having more women on boards is essential for (1) improving [business] performance (2) accessing the widest talent pool – using the skills of all (3) being more responsive to the market (4) achieving better corporate governance (see

<http://www.bis.gov.uk/assets/biscore/business-law/docs/w/11-745-women-on-boards.pdf>)

(c) In the Lord Davies report, referenced in (b) above, the UK government has set a target of 25% of all directorships in FTSE 350 companies going to women by 2015.

(d) As a result of the UK Government target, set in 2011 for women on boards, the percentage of women on boards of FTSE250 companies rose from 12.5% to 15.6% (see Lord Davies report of March 2012:

<http://www.bis.gov.uk/assets/biscore/business-law/docs/w/12-p135-women-on-boards.pdf>

[boards-2012.pdf](#))

- (e) Many European countries have placed quotas on companies in terms of women on boards of listed companies. This includes, but is not limited to, Belgium, France and Norway. The European Union is also considering this. This is not the recommendation of Community Business.
- (f) Hong Kong must continue to thrive as a financial and business hub for Asia and must encourage companies to have diverse boards.
- (g) *ESG Reporting Guide for Australian Companies* (issued June 2011), page 21, states a commonly reported indicator as being “% of women at Board and Senior Management levels”
- (h) GRI’s *Sustainability Reporting Guidelines 3.1*, page 32, LA13 recommends this.

Aspect A2    Health and safety

12. Do you agree with the following general disclosure for Aspect A2: Health and safety?

Information on:

- (a) the policies; and
- (b) compliance and material non-compliance with relevant standards, rules and regulations

on providing a safe working environment and protecting employees from occupational hazards.

Yes

No

If your answer is “No”, please give reasons and alternative views.

13. Do you agree to include KPI A2.1: “Fatality number and rate”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

14. Do you agree to include KPI A2.2: “Lost days due to work injury”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

15. Do you agree to include KPI A2.3: “Description of occupational health and safety measures adopted, how they are implemented and monitored”?

Yes

No

If you answer is “No”, please give reasons and alternate views.

16. Do you have any additional KPIs for Aspect A2?

Yes

No

Please give reasons for your proposals.

Aspect A3    Development and training

17. Do you agree with the following general disclosure for Aspect A3: Development and training?

Policies on improving employees' knowledge and skills for discharging duties at work.

Training refers to vocational training. It may include internal and external courses paid by the employer.

Yes

No

If your answer is "No", please give reasons and alternative views.

18. Do you agree to include KPI A3.1: "Description of training activities provided and if relevant, the percentage of employees trained by employee category (e.g. senior management, middle management, etc.)"?

Yes

No

If your answer is "No", please give reasons and alternative views.

**We recommend amending to (underlining indicates amendment):**

**"Description of training activities provided and if relevant, the percentage of employees trained by employee category (e.g. senior management, middle management, etc.) and by gender"?**

*Rationale:*

(a) This is consistent with our rationale above in terms of providing gender specific information.

(b) GRI's *Sustainability Reporting Guidelines 3.1*, page 32, LA10 recommends this.

19. Do you agree to include KPI A3.2: "The average training hours completed per employee by employee category"?

Yes

No

If your answer is "No", please give reasons and alternative views.

**As per our recommendation above, this KPI should be amended to “The average training hours completed per employee by employee category and by gender”**

*Rationale:*

- (a) Monitoring training activities in a matrix manner showing levels of employees cross-referenced against gender will provide a valuable indicator in terms of the investment in, and impact of, training in relation to the career development of employees and may help to address the issue that women, despite representing 55% of the university graduates in Hong Kong, do not rise to the top of the organisations in which they are employed.
- (b) GRI’s *Sustainability Reporting Guidelines 3.1*, page 32, LA10 recommends this.

20. Do you have any additional KPIs for Aspect A3?

Yes

No

Please give reasons for your proposals.

Aspect A4    Labour standards

21. Do you agree with the following general disclosure for Aspect A4: Labour standards?

Information on:

- (a) the policies; and
- (b) compliance and material non-compliance with relevant standards, rules and regulations

on preventing child or forced labour.

Yes

No

If your answer is “No”, please give reasons and alternative views.

22. Do you agree to include KPI A4.1: “Description of measures to review employment practices to avoid child and forced labour”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

23. Do you agree to include KPI A4.2: “Description of steps taken to eliminate such practices when discovered”?

Yes

No

If you answer is “No”, please give reasons and alternate views.

24. Do you have any additional KPIs for Aspect A4?

Yes

No

Please give reasons for your proposals.



**B. Environmental protection**

Aspect B1    Emissions

25. Do you agree with the following general disclosure for Aspect B1: Emissions?

Information on:

- (a) the policies; and
- (b) compliance and material non-compliance with relevant standards, rules and regulations

on air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous wastes, etc.

Air emissions include NO<sub>x</sub>, SO<sub>x</sub>, and other pollutants regulated under national laws and regulations.

Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.

Hazardous wastes are those defined by national regulations.

Yes

No

If your answer is “No”, please give reasons and alternative views.

26. Do you agree to include KPI B1.1: “The types of emissions and respective emissions data”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

27. Do you agree to include KPI B1.2: “Greenhouse gas emissions in total (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility)?”

Yes

No

If your answer is “No”, please give reasons and alternative views.

28. Do you agree to include KPI B1.3: “Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility)?”

Yes

No

If your answer is “No”, please give reasons and alternative views.

29. Do you agree to include KPI B1.4: “Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility)?”

Yes

No

If your answer is “No”, please give reasons and alternative views.

30. Do you agree to include KPI B1.5: “Description of measures to mitigate emissions and results achieved”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

31. Do you agree to include KPI B1.6: “Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

32. Do you have any additional KPIs for Aspect B1?

Yes

No

Please give reasons for your proposals.

Aspect B2    Use of resources

33. Do you agree with the following general disclosure for Aspect B2: Use of resources?

Policies on efficient use of resources including energy, water and other raw materials.

Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.

Yes

No

If your answer is “No”, please give reasons and alternate views.

34. Do you agree to include KPI B2.1: “Energy consumption by type (e.g. electricity, gas or oil) in total (kwh in ‘000s) and intensity (e.g. per unit of production volume, per facility)”?

Yes

No

If your answer is “No”, please give reasons and alternate views.

35. Do you agree to include KPI B2.2: “Water consumption in total and intensity (e.g. per unit of production volume, per facility)”?

Yes

No

If your answer is “No”, please give reasons and alternate views.

36. Do you agree to include KPI B2.3: “Description of energy use efficiency initiatives and results achieved”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

37. Do you agree to include KPI B2.4: “Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

38. Do you agree to include KPI B2.5: “Total packaging material used (in tonnes), and if applicable, with reference to per unit produced”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

39. Do you have any additional KPIs for Aspect B2?

Yes

No

Please give reasons for your proposals.

Aspect B3    The environment and natural resources

40. Do you agree with the following general disclosure for Aspect B3: The environment and natural resources?

Policies on minimizing the operation’s significant impact on the environment and natural resources.

Yes

No

If your answer is “No”, please give reasons and alternative views.

41. Do you agree to include KPI B3.1: “Total paper used”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

42. Do you agree to include KPI B3.2: “Paper use efficiency initiatives and results achieved”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

43. Do you agree to include KPI B3.3: “Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

44. Do you have any additional KPIs for Aspect B3?

Yes

No

Please give reasons for your proposals.

**C. Operating practices**

Aspect C1    Supply chain management

45. Do you agree with the following general disclosure for Aspect C1: Supply chain management?

Policies on risk management of supply chain.

Yes

No

If your answer is “No”, please give reasons and alternative views.

46. Do you agree to include KPI C1.1: “Number of suppliers by geographical region”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

47. Do you agree to include KPI C1.2: “Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

48. Do you have any additional KPIs for Aspect C1?

Yes

No

Please give reasons for your proposals

Aspect C2    Product responsibility

49. Do you agree with the following general disclosure for Aspect C2: Product responsibility?

Information on:

(a) the policies; and

(b) compliance and material non-compliance with relevant standards, rules and regulations

on health and safety, advertising, labelling, privacy and methods of redress.

Yes

No

If your answer is “No”, please give reasons and alternative views.

50. Do you agree to include KPI C2.1: “Percentage of total products sold or shipped subject to recalls for safety and health reasons”?

Yes

No

If your answer is “No”, please give reasons and alternative views.



51. Do you agree to include KPI C2.2: “Number of products and service related complaints received and how they are dealt with”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

52. Do you agree to include KPI C2.3: “Description of practices relating to observing and protecting intellectual property rights”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

53. Do you agree to include KPI C2.4: “Description of quality assurance process and recall procedures”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

54. Do you agree to include KPI C2.5: “Description of consumer data protection and privacy policies, how they are implemented and monitored”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

55. Do you have additional KPIs for Aspect C2?

Yes

No

Please give reasons for your proposals.

Aspect C3    Anti-corruption

56. Do you agree with the following general disclosure for Aspect C3: Anti-corruption?

Information on:

(a) the policies; and

(b) compliance and material non-compliance with relevant standards, rules and regulations

on bribery, extortion, fraud and money laundering.

Yes

No

If your answer is “No”, please give reasons and alternative views.

57. Do you agree to include KPI C3.1: “Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

58. Do you agree to include KPI C3.2: “Description of preventive measures and whistleblowing procedures, how they are implemented and monitored”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

59. Do you have any additional KPIs for Aspect C3?

Yes

No

Please give reasons for your proposals.

#### **D. Community involvement**

##### Aspect D1    Community investment

60. Do you agree with the following general disclosure for Aspect D1: Community investment?

Policies on understanding the community’s needs in where it operates and ensuring its activities takes into consideration of communities’ interests.

Yes

No

If your answer is “No”, please give reasons and alternative views.

As per our response to point 6 ‘Key ESG Subject Areas’, we recommend using the term ‘Community Investment’ which indicates that companies are involved in the community strategically and with a stronger commitment which is focused on a return on the investment made – socially, environmentally, culturally or otherwise – which benefits the community, the company and its employees.

As a result, we recommend an amendment to the wording for this general disclosure as follows:

**Policies on understanding the company’s total investment in the community including policies and programmes undertaken to meet both business and community needs. The investment includes financial and in-kind contributions, as well as employee engagement (e.g. employee volunteering) in the community(ies)**

*Rationale:*

(a) Companies in Hong Kong are invested in the community in many ways – including policies and programmes that represent cash, in-kind and time and skills contributions.

(b) Companies should report on both policies as well as programmes. See Community Business Employee Volunteering Guide

<http://www.communitybusiness.org/images/cb/publications/2005/EVguideEn.pdf>

61. Do you agree to include KPI D1.1: “Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

**We recommend amending the wording of the KPI as follows (*underlining indicates the additions*): “Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport, youth, disability and special education needs, ethnic minorities, immigrants, refugees, women and girls, HIV/Aids, the elderly)”?**

*Rationale:*

(a) From Community Business’ own extensive experience in working with companies on community investment, the areas added above are ones that companies are increasingly interested in when they take a strategic ‘community investment’ approach.

62. Do you agree to include KPI D1.2: “Resources contributed (e.g. money or time) to the focus area”?

Yes

No

If your answer is “No”, please give reasons and alternative views.

**We recommend being more explicit with the wording and amending the KPI to include:**

**“Resources contributed in terms of:**

**1. Total cash donations by the company including total cash donations by employees which were matched by the company (matched giving)**

2. Total time contributed to the community by the company and its employees
3. Total in-kind resources and the dollar amount of such contribution
4. Aggregate (1) – (3) above
5. % of the total in (4) of profit before tax.”

*Rationale:*

- (a) Many companies in Hong Kong already contribute to the community through cash, in-kind and time and skills. For example, the Hong Kong Council of Social Service Caring Company Scheme is popular with many hundreds of companies in Hong Kong.
- (b) Companies should be transparent about the total investment in the community and a percentage of this before tax.
- (c) In terms of calculating social and/or environmental value of the time and in-kind donations there are a number of frameworks available such as the London Benchmark Group or Social Return on Investment (SROI). See <http://neweconomics.org/projects/social-return-investment>

63. Do you have any additional KPIs for Aspect D1?

- Yes
- No

Please give reasons for your proposals.

**We recommend adding a KPI: “The Output and Impact of Community Investment”**

*Rationale:*

(a) Companies are often invested in a number of community engagements. They should provide stakeholders with an understanding of, not just the investment, or inputs, but also the return on this investment which we term “output and impact” of community investment.

(b) This is further explained in the Community Business Guide on Employee Volunteering, 2005, pages 31 -33. See <http://www.communitybusiness.org/images/cb/publications/2005/EVguideEn.pdf>

(c) The frameworks mentioned in point 62 above can be used as a means to measure this KPI.

**Assurance**

64. Do you agree that we should not recommend that issuers to seek external assurance for issuers that report on ESG performance?

- Yes
- No

If your answer is “No”, please give reasons and alternative views.

- End -